

Message Text

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42

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R 140538Z JUN 74

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 0760

INFO AMCONSUL HONG KONG

AMEMBASSY MANILA

AMEMBASSY SAIGON

UNCLAS SINGAPORE 2602

E.O. 11652: N/A

TAGS: EFIN, SN

SUBJ: REGULATION OF FOREIGN BANKS IN SINGAPORE

REF: A. STATE A-1911

B. SINGAPORE A-28 OF 28 MAR '73

C. SINGAPORE A-20 OF 8 JAN '74

1. CONTRARY TO REF A, ONE SINGAPORE BANK DOES OPERATE IN US. OVERSEAS UNION BANK HAS AGENCY IN NEW YORK SINCE JUNE 28, 1973. ANOTHER SINGAPOREAN BANK, UNITED OVERSEAS BANK, IS PRESENTLY NEGOTIATING WITH NEW YORK BANKING COMMISSION REGARDING ESTABLISHMENT OF AN OFFICE IN NEW YORK CITY; IT HAS NOT BEEN DECIDED WHETHER THIS WILL BE AN AGENCY OR A BRANCH.

2. FOREIGN BANKS OPERATE FULL COMMERCIAL BANKING BRANCHES, RESTRICTED BRANCHES, REPRESENTATIVE (BUSINESS DEVELOPMENT) OFFICES, AFFILIATES, AND SUBSIDIARY JOINT VENTURES (MERCHANT BANKS AND FINANCE COMPANIES) IN SINGAPORE. CURRENT LIST OF US BANKS' OPERATIONS ENCLOSED REF C. IN ADDITION, REP OFFICE WAS ESTABLISHED BY PITTSBURGH NATIONAL BANK, MARCH; AND BY SECURITY PACIFIC NATIONAL BANK, JUNE 1974.

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3. OPERATIONS BY BOTH DOMESTIC AND FOREIGN BANKS IN

SINGAPORE ARE UNDER LICENCES OR LETTERS OF AUTHORIZATION (IN CASES OF MERCHANT BANKS AND REP OFFICES) ISSUED BY MONETARY AUTHORITY OF SINGAPORE (MAS). PERTINENT STATUTES AND CITATIONS ARE: THE BANKING ACT OF 1970, CHAPTER 182; MAS NOTICE TO BANKS SERIES, BK 1 THROUGH BK 16; EXCHANGE CONTROL ORDINANCE, 1953; SECURITIES INDUSTRY ACT 1973; AND COMPANIES ACT, 1967, FOR MERCHANT BANKS.

4. LICENCES ARE ISSUED FOR AN INDEFINITE PERIOD AND STIPULATE PERMITTED ACTIVITIES, RESTRICTIONS, ETC. IN THE CASE OF BANKS WHICH ARE 51 PERCENT OR MORE OWNED BY FOREIGN GOVERNMENTS (E.G. BANK OF CHINA), LICENCES ARE ISSUED FOR ONE YEAR, RENEWED YEARLY. UNDER PRESENT MAS REGULATIONS AND PRACTICE, FOREIGN BANKS MAY NO LONGER BRANCH; LOCAL BANKS MAY ESTABLISH NEW BRANCHES BUT APPLICATIONS APPROVED CASE BY CASE. MAS ASSERTS SOME PROPOSALS HAVE BEEN DISAPPROVED.

5. SINCE JANUARY 1973, ELEVEN FOREIGN BANKS HAVE BEEN LICENCED TO ESTABLISH "OFFSHORE" BRANCHES -- SIMILAR TO EDGE ACT CORP. A SUCCESSFUL OFFSHORE BRANCH IS PRE-REQUISITE FOR LESS RESTRICTED BANKING LICENCE FOR FOREIGN BANKS NEW TO SINGAPORE. MAS IS CURRENTLY CONSIDERING THE "UPGRADING OF LICENCES" FOR A FEW OF THE FIRST OFFSHORE BRANCHES. ONE NEW LOCAL BANK WAS ESTABLISHED RECENTLY WITH AN UNRESTRICTED LICENCE, THE FIRST NEW LOCAL BANK IN MANY YEARS.

6. THERE IS NO DISCRIMINATION AGAINST AMERICAN BANKS; IN FACT, ONE HALF OF NEW OFFSHORE BRANCHES APPROVED TO DATE HAVE BEEN US BANKS. THE TWO LARGEST BANKS IN SINGAPORE ARE CHARTERED (UK) AND HONG KONG SHANGHAI BANK; HOWEVER, THEIR POSITION IS RELATED TO ESTABLISHMENT BEFORE INDEPENDENCE AND EARLIER EXPANSION. THEY ARE CURRENTLY TREATED AS FOREIGN BANKS (NO FURTHER BRANCHING).

7. COPIES OF STATUTES AND REGULATIONS LISTED IN PARAGRAPH 3 BEING POUCHED.
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